Internal Revenue Service

District Director Department of the Treasury

230 South Dearborn Street Chicago, Illinois 60604

Employer Identification Number:

NO MARK

Person to Contact: Telephone Number: Refer Reply to:

Internal Revenue Service

Date: APR 1 5 1993



Dear Applicant:

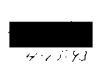
We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(7) of the Internal Revenue Code.

The purpose of your organization as stated in your Articles of Incorporation is "To provide boat access and docking facilities for Shareholders". The sole activity of your organization is to build and maintain boat docking facilities for your members. You conduct an annual membership meeting.

Membership is restricted to property owners in the prescibed area known as "". Each member is required to "invest" \$. For this investment, the member receives an assigned boat dock at a marina which has been developed for exclusive use of the members. The facility affords members the access to lake frontage, boating, swimming, water skiing, jet thing and fishing.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which incres to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that Section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.





Revenue Ruling 70-32, 1970-1 C.B. 132, provides that a flying club whose principal activity involves the ownership, operation, and maintenance of the aircraft for the use by its members but has little commingling among members for social or recreational purposes does not qualify for exemption under Section 501(c)(7) of the Code.

You do not qualify for exemption under Section 501(c)(7) because you are similar to the organization described in the above Revenue Ruling 70-32. Your principal activity is to provide docking facilities for your members which is beyond the scope of Section 501(c)(7). You do not have a significant social and recreational program that allows the commingling of your members as required by Section 501(c)(7) of the Code.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in Section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 111.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an expertunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of atterney and evidence of enrollment to practice must be met. We have enclosed in the attentions and explains in detail your rights and procedures.

It would not protest this determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code crowles in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service".

If we do not hear from you within 30 days from the date of this letter, this determination will become final.

rigate keep this determination letter in your permanent records.

if you agree with this determination, please sign and return the enclosed Form 6018.

Sincerely yours,

District Throater

District Director

En Resoures:
Publication 892
Pro 8018